

Message Text

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PAGE 01 EC BRU 03511 072018Z
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SUBJECT: JOINT EC FOREIGN AFFAIRS AND FINANCE COUNCIL APRIL 5, 1977
RESULTS

REF: EC BRUSSELS 3258

1.SUMMARY: THE EC FOREIGN MINISTERS MET WITH THEIR FINANCE
COUNTERPARTS FOR A JOINT COUNCIL SESSION APRIL 5 IN LUXEMBOURG,
DEVOTED TO AN OVERALL ASSESSMENT OF COMMUNITY BUDGETARY
PROBLEMS.THE COUNCIL TOOK ONLY TWO FORMAL DECISIONS:
(1)TO DEVALUE THE GREEN KRONER BY 3 PERCENT AND (2)TO SITUATE
THE EC COURT OF AUDITORS IN LUXEMOURG,END SUMMARY.

2.ASSESSMENT OF EC BUDGETARY PROBLEMS: THE MINISTERS
DISCUSSED A COMMUNICATION FOR THE EC COMMISSION,OUTLINING
OBJECTIVES AND STRATEGY FOR THE 1978 COMMITY BUDGET
(DETAILED ANALYSIS OF THE PAPER WILL BE PROVIDED SEPAIR)
THE AIM OF THE COUNCIL DISCUSSIONS WAS NOT,IN ANY CASE,TO
DRAW UP BUDGET ESTIMATES FOR 1978 OR DECIDE ACTUAL FIGURES,
BUT RATHER TO WORK OUT AN OVERALL APPROACH TO THE
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PAGE 02 EC BRU 03511 072018Z

BUDGET BEFORE SETTING IN MOTION BUDEGETARY PROCEDURES.
THE COMMISSION PAPER STRESSES THAT 1978 WILL MARK A
TURNING POINT IN THE HISTORY OF THE EC BUDGET,WITH THE
ANTICIPATED INTRODUCTION OF A FULLY " OWN RESOURCES"
SYSTEM (INVOLVING THE IMPLEMENTATION OF A COMMUNITY
PERCENTAGE - UP TO 1 PERCENT - OF A HARMONIZED VAT
BASE),ADOPTION OF THE EUROPEAN UNIT OF ACCOUNT (EUA)

AS THE BUDGETARY UNIT, AND ENHANCEMENT OF THE ROLE OF THE COURT OF AUDITORS. THE COMMISSION PUT FORWARD ITS VIEW THAT THE 1978 BUDGET SHOULD CONCENTRATE ON FOUR OBJECTIVES: CONTAINMENT OF AGRICULTURAL EXPENDITURE THROUGH ELIMINATION OF MCA'S, ACTION ON EMPLOYMENT AND ECONOMIC STRUCTURES THROUGH GREATER USE OF THE SOCIAL AND REGIONAL FUNDS, GREATER ENERGY INDEPENDENCE, AND AID TO DEVELOPING COUNTRIES. THE COMMISSION SPECIFICALLY SUGGESTED THAT OTHER METHODS OF FINANCING MAY HAVE TO BE CONSIDERED IN THE FUTURE, SHOULD THE PRESENT BUDGET FINANCING STRUCTURE PROVE INADEQUATE, AND RECOMMENDED THAT CONSIDERATION BE GIVEN TO FURTHER DEVELOPING THE COMMUNITY BORROWING SYSTEM AS A MEANS OF FINANCING STRUCTURAL AND EMPLOYMENT MEASURES. FINALLY, THE COMMISSION PAPER URGES RAPID ADOPTION OF THE SIXTH DIRECTIVE ON VAT AND OF THE EUROPEAN UNIT OF ACCOUNT AND CALLS FOR URGENT CONSULTATIONS BETWEEN THE COUNCIL AND PARLIAMENT TO FIND AN ACCEPTABLE INTERPRETATION OF ARTICLE 203 OF THE ROME TREATY (WHICH GOVERNS BUDGETARY PROCEDURES)..

3. CHIEF SECRETARY TO THE UK TREASURY JOEL BARNETT (REPRESENTING THE COUNCIL PRESIDENCY) HELD A PRESS CONFERENCE TO REVIEW THE MORNING'S DEBATE. BARNETT ANNOUNCED THAT THERE HAD BEEN BROAD AGREEMENT WITH THE GENERAL TERMS OF THE COMMISSION PAPER. TURNING TO VAT AND EUA, HE INDICATED THAT THE DANES STILL MAINTAIN A GENERAL RESERVE LINKING PROGRESS ON THOSE ISSUES TO ELIMINATION OF MCA'S. (A COUNCIL SOURCE)
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PAGE 03 EC BRU 03511 072018Z

HAS CONFIRMED THAT THE DANISH RESERVE ON THE SIXTH VAT DIRECTIVE REFERRED TO IN REFTEL CONCERNED ONLY THE DECISION TO SEND THE TEXT OF THE DIRECTIVE TO THE EUROPEAN PARLIAMENT. REMOVAL OF THAT SPECIFIC RESERVE DID NOT AFFECT THE OVERALL DANISH RESERVE LINKING FINAL IMPLEMENTATION OF VAT HARMONIZATION TO ABOLITION OF MCA'S.)
BARNETT ALSO SAID THE UK HAD STATED ITS POSITION THAT ADOPTION OF THE EUA BY JANUARY 1, 1978, WAS DEPENDENT UPON A FAVORABLE COMMISSION INTERPRETATION OF ARTICLE 131 OF THE ACCESSION TREATY, WHICH GOVERNS THE NATURE OF INCREASES OF CONTRIBUTIONS BY THE THREE NEW MEMBER STATES FROM YEAR TO YEAR (THE ISSUE IS WHETHER OR NOT INCREASES FOR 1978 SHOULD BE CALCULATED AS IF THE 1977 BUDGET WERE ALREADY BASED ON THE EUA; THE UK CONTENDS THAT IT WOULD BE UNFAIRLY PENALIZED BY SUCH A SYSTEM). BARNETT ANNOUNCED THERE WAS NO DECISION ON A COMMISSION PROPOSAL THAT THE COUNCIL DECIDE NOW IN PRINCIPLE THAT THERE SHOULD BE "OBLIGATORY DIGRESSIVITY" OF MCA'S AND THAT

A TIMETABLE BE SET BY WHICH NECESSARY MECHANISMS
COULD BE PUT IN PLACE.HE INDICATED THAT THE VAT,
EUA,AND MCA FILES HAD ALL BEEN REFERRED TO COREPER,
WHICH IS TO REPORT BACK IN MID-MAY,AND THAT ,IF NECESSARY,
- BUDGET COUNCIL COULD BE HELD AT THAT TIME.

4.AN FRG SPOKESMAN INDICATED IN A SEPARATE PRESS BRIEFING
THAT STATE SECRETARY POEHL TOLD THE CONCIL THAT HIS
GOVERNMENT COULD ACCEPT FOR 1978
NO MORE THAN A 10 PERCENT INCREASE OVER 1977 LEVELS FOR NON-AGRI
CULTURAL BUDGETARY EXPENDITURES.POEHL ALSO TOLD THE CONCIL THAT,
ALTHOUGH THE FRG AGREES WITH THE COMMISSION ON THE NEED FOR MORE
EFFECTIVE UTILIZATION OF THE EC FUNDS,IT FEELS STRONGLY
THAT THE EC SHOULD CONCENTRATE ON FINANCING COMMUNITY
PROJECTS,LEAVING NATIONAL PROJECTS TO BE FINANCED BY THE
MEMBER STATES.POEHL ALSO EXPRESSED HIS GOVERNMENT'S VIEW
THAT EC REVENUE WAS SUFFICIENT TO MEET CURRENT NEEDS
UNCLASSIFIED

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PAGE 04 EC BRU 03511 072018Z

AND THAT IT WAS NOT NECESSARY TO RAISE FUNDS ON CAPITAL
MARKETS FOR EC BUDGETARYPRUPOSES.

5.DEVALUATION OF GREEN KRONER: THE COUNCIL ADOPTED AS
A A-POINT A REGULATIONON THE EXCHANGE RATE TO BE APPLIED
IN THE AGRICULTURAL SECTOR FOR THE DANISH KRONER.
UNDER THE NEW RATE ONE KRONER EQUALS 0.122877 UNITS OF
ACCOUNT AND ONE UNIT OF ACCOUNT EQUALS 8.13822 KRONER
(A THREE PERCENT DEVALUATION RAISING PRICES BY 3.093
PERCENT).THE NEW RATE WENT INTO EFFECT APRIL 6, 1977.

6.COURT OF AUDITORS: THE COUNCIL DECIDED THAT THE
COURT OF AUDITORS SHOULD BE PROVIONALLY LOCATED IN
LUXEMBOURG.
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